

continued...

These net interest income and non-interest income revenue improvements, totaling approximately \$2.2 million, were partially offset by approximately \$1.4 million of increased non-interest expense, with the majority of that increase resulting from an additional \$682,000 in salaries and benefits, primarily attributable to an increased number of full-time equivalent employees.

We continue to be extremely pleased with the pattern of consistent balance sheet growth and earnings improvement we've generated over the past several years. As evidenced by the strong level of loan growth we experienced within the past year and the current indication from our clients relative to future loan demand, our business and consumer clients throughout our market area continue to display a growing confidence in the vibrancy of the economy. Based on these trends, we continue to have a positive outlook regarding our ability to generate strong financial performance throughout the balance of 2018 and in the coming years.

Sincerely,

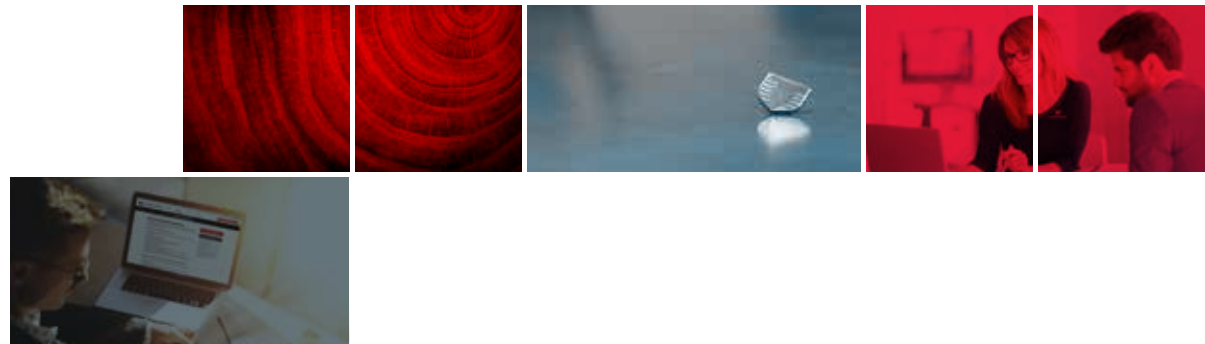
Mark A. Schroeder  
Chairman & CEO

#### Cautionary Note Regarding Forward-Looking Statements

Our statements in this report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that, by their nature, forward-looking statements are based on assumptions and are subject to risks, uncertainties, and other factors. Actual results and experience could differ materially from the anticipated results or other expectations expressed or implied by these forward-looking statements as a result of a number of factors, including but not limited to those stated in our press release dated April 30, 2018 under the caption "Cautionary Note Regarding Forward-Looking Statements" and in our reports and other documents that we file with the Securities and Exchange Commission. That press release, and those SEC reports and other documents, are available on our website, [www.germanamerican.com](http://www.germanamerican.com), by clicking on the tab "Investor Relations." These forward-looking statements speak only as of May 11, 2018 (when we finalized this report for mailing to our shareholders) and we do not promise to update any such forward-looking statements to reflect events or circumstances that occur after May 11, 2018.

2018  
1st  
Quarter  
Report

FOUNDATION OF  
Success



German American Bancorp, Inc.

**Transfer Agent:**  
Computershare Communications Services  
Attn: Priority Processing  
250 Royall Street  
Canton, MA 02021  
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**Shareholder Information:**  
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## Consolidated Balance Sheets

unaudited, dollars in thousands except per share data

## Consolidated Statements of Income

unaudited, dollars in thousands except per share data

Dear Shareholders,

We're pleased to report that 2018 is off to a great start, as we posted record quarterly net income of \$11.8 million, or \$0.51 per share, for the first quarter of 2018. This earnings performance represents an increase of approximately \$2.2 million, or 21% on a per share basis, over first quarter 2017 net income of \$9.6 million, or \$0.42 per share. The current quarter net income was comparable to fourth quarter 2017 reported net income of \$11.6 million, or \$0.51 per share.

Our 2018 first quarter and the 2017 fourth quarter reported net income and earnings per share were positively impacted by the federal income tax reform legislation enacted during the fourth quarter of 2017. The lower federal income tax rate had a positive impact of approximately \$1.5 million, or \$0.06 per share, during the first quarter of 2018, while the fourth quarter 2017 results were enhanced by a net tax benefit of approximately \$2.3 million, or \$0.10 per share, related to a revaluation of deferred tax assets and liabilities in connection with the federal income tax reform legislation.

In addition to the federal income tax benefit noted above, the comparison of the record first quarter 2018 financial performance to that of the same quarter last year was largely attributable to a \$1.3 million, or 16%, increase in non-interest income, primarily resulting from a \$530,000 increase in trust and investment product fees, a \$459,000 increase in interchange fee income, and a \$290,000 increase in insurance revenues.

Reported net interest income was also higher by \$885,000, or 4%, in the first quarter of 2018 relative to that recorded in the first quarter of 2017, driven by a higher level of average loans outstanding. 2018 first quarter average loans outstanding increased by approximately \$164.9 million, or 8%, from the average loans outstanding in the first quarter of the prior year. The year-over-year increase in loans outstanding was attributable to strong organic loan growth broadly based across the Company's entire market area and within virtually all loan categories.

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	March 31,		Three Months Ended March 31,	
	2018	2017	2018	2017
<b>Assets</b>				
Cash and Due from Banks	\$ 32,023	\$ 30,151		
Short-term Investments	8,187	7,288		
Investment Securities	737,957	726,352		
Loans Held-for-Sale	6,628	6,856		
Loans, Net of Unearned Income	2,150,546	1,983,572		
Allowance for Loan Losses	(14,460)	(15,166)		
Net Loans	2,136,086	1,968,406		
Stock in FHLB and Other Restricted Stock	13,048	13,048		
Premises and Equipment	58,024	49,718		
Goodwill and Other Intangible Assets	55,954	56,849		
Other Assets	77,111	74,476		
<b>TOTAL ASSETS</b>	<b>\$3,125,018</b>	<b>\$2,933,144</b>		
<b>Liabilities</b>				
Non-interest-bearing Demand Deposits	\$ 599,374	\$ 572,874		
Interest-bearing Demand, Savings, and Money Market Accounts	1,465,150	1,389,763		
Time Deposits	402,597	363,835		
Total Deposits	2,467,121	2,326,472		
Borrowings	274,473	241,358		
Other Liabilities	19,419	24,098		
<b>TOTAL LIABILITIES</b>	<b>2,761,013</b>	<b>2,591,928</b>		
<b>Shareholders' Equity</b>	<b>364,005</b>	<b>341,216</b>		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$3,125,018</b>	<b>\$2,933,144</b>		
End of Period Shares Outstanding	22,968,813	22,929,417		
Tangible Book Value per Share <sup>(1)</sup>	\$ 13.41	\$ 12.40		
<b>Interest Income</b>				
Interest and Fees on Loans	\$ 23,950	\$ 22,262		
Interest on Short-term Investments and Time Deposits	56	27		
Interest and Dividends on Investment Securities	5,139	4,744		
<b>TOTAL INTEREST INCOME</b>	<b>29,145</b>	<b>27,033</b>		
<b>Interest Expense</b>				
Interest on Deposits	2,283	1,443		
Interest on Borrowings	1,252	865		
<b>TOTAL INTEREST EXPENSE</b>	<b>3,535</b>	<b>2,308</b>		
<b>NET INTEREST INCOME</b>	<b>25,610</b>	<b>24,725</b>		
Provision for Loan Losses	350	500		
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>25,260</b>	<b>24,225</b>		
<b>Non-interest Income</b>				
Net Gain on Sales of Loans	650	687		
Net Gain on Securities	270	-		
Other Non-interest Income	8,572	7,501		
<b>TOTAL NON-INTEREST INCOME</b>	<b>9,492</b>	<b>8,188</b>		
<b>Non-interest Expense</b>				
Salaries and Benefits	12,126	11,444		
Other Non-interest Expenses	8,329	7,592		
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>20,455</b>	<b>19,036</b>		
Income before Income Taxes	14,297	13,377		
Income Tax Expense	2,484	3,821		
<b>NET INCOME</b>	<b>\$ 11,813</b>	<b>\$ 9,556</b>		
Basic Earnings per Share	\$ 0.51	\$ 0.42		
Diluted Earnings per Share	\$ 0.51	\$ 0.42		
<b>Weighted Average Shares Outstanding</b>	<b>22,940,402</b>	<b>22,908,648</b>		
<b>Diluted Weighted Average Shares Outstanding</b>	<b>22,940,402</b>	<b>22,908,648</b>		

<sup>(1)</sup> Tangible Book Value per Share is defined as Total Shareholders' Equity less Goodwill and Other Intangible Assets divided by End of Period Shares Outstanding.